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Davis Distributing
& Vending Limited

Annual Report 1972



Davis Distributing
& Vending Limited

Directors:

B. Davis
S. D. Vader
I. J. Grosman
J. C. McCartney

Officers:

B. Davis, *President*
S. D. Vader, *Vice President and Secretary*
I. J. Grosman, *Treasurer*
T. J. Gowland, *Vice President, Merchandising*

*Transfer Agent and
Registrar:*

The Metropolitan Trust Company
Toronto, Ontario

Co-Transfer Agent:

The Morgan Trust Company
Montreal, Quebec

Bankers:

Bank of Montreal, Toronto

Auditors:

Richter, Usher & Vineberg
Chartered Accountants, Toronto

Legal Counsel:

Harvey and Associates
Barristers & Solicitors, Toronto

Subsidiaries:

Nathan Davis Vending Limited
Young-Robertson Limited

Listing:

Canadian Stock Exchange



Davis Distributing
& Vending Limited

REPORT TO THE SHAREHOLDERS:

Our fourth annual report to shareholders for the year ended June 30, 1972 includes consolidated financial statements of Davis Distributing & Vending Limited and its wholly-owned subsidiaries, Young-Robertson Limited and Nathan Davis Vending Limited.

Sales increased again, to \$20,420,849 as compared with \$17,780,908 last year. Consolidated net earnings amounted to \$286,143 or 57.3¢ per share. This includes an extraordinary profit on the sale of the vending business of Nathan Davis Vending Limited, which was completed in January, 1972. Operating profit was \$140,521 or 28.2¢ per share compared to 20.5¢ per share last year.

Sales in the first quarter of the current fiscal year are up over the same period last year. Much of the Company's success is due to its able and aggressive management team.

If approved by the shareholders, the Company will change its name to Davis Distributing Limited. This name better reflects the business now being carried on.

The Company is continuing to make steady progress in sales and earnings. It has paid quarterly dividends for three years. In view of improved earnings again this past year, the directors will be considering a further increase in dividends at their next meeting.

On behalf of the board,

B. DAVIS,
President.

October 20th, 1972.



Davis Distributing
& Vending Limited

CONSOLIDATED BALANCE SHEET

	June 30 1972	June 30 1971
ASSETS		
CURRENT ASSETS		
Cash	\$ 193,223	\$ 112,735
Accounts receivable	1,626,355	1,581,195
Inventories, at the lower of cost or net realizable value	1,444,755	1,416,998
Prepaid expenses and sundry assets	69,880	47,177
	<u>\$3,334,213</u>	<u>\$3,158,105</u>
FIXED ASSETS — Note 2		
Land, building, equipment, vehicles and leasehold improvements	\$ 493,150	\$ 818,808
Accumulated depreciation	138,575	253,893
	<u>\$ 354,575</u>	<u>\$ 564,915</u>
EXCESS OF COST OVER BOOK VALUE OF BUSINESSES AND SUBSIDIARY ACQUIRED	<u>\$ 71,388</u>	<u>\$ 139,388</u>
	<u>\$3,760,176</u>	<u>\$3,862,408</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank advances — Note 3	\$ 675,000	\$ 705,000
Accounts payable and accrued liabilities	1,544,805	1,697,900
Current portion of long term liabilities	3,500	12,008
Income taxes payable	84,710	83,412
	<u>\$2,308,015</u>	<u>\$2,498,320</u>
LONG TERM LIABILITIES — Note 4	<u>\$ 26,214</u>	<u>\$ 198,243</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK — Note 6	<u>\$ 537,856</u>	<u>\$ 537,856</u>
RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST — Note 7	<u>892,090</u>	<u>627,989</u>
	<u>\$1,429,946</u>	
2,600 Common Shares purchased, at cost	3,999	
	<u>\$1,425,947</u>	<u>\$1,165,845</u>
	<u>\$3,760,176</u>	<u>\$3,862,408</u>
Approved on behalf of the Board: B. DAVIS <i>Director</i> I.J. GROSSMAN <i>Director</i>		

AUDITORS' REPORT

To the shareholders of
DAVIS DISTRIBUTING & VENDING LIMITED

We have examined the consolidated balance sheet of Davis Distributing & Vending Limited and subsidiary companies as at June 30, 1972 and the consolidated statements of earnings, retained earnings and excess of appraised value of land over cost, and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and use of their funds for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
August 25, 1972

RICHTER, USHER & VINEBERG,
Chartered Accountants



Davis Distributing
& Vending Limited

CONSOLIDATED STATEMENT OF EARNINGS

	For the Year Ended	
	June 30 1972	June 30 1971
Sales	\$20,420,849	\$17,780,908
Cost of sales, operating and administrative expenses, exclusive of depreciation and interest	20,058,678	17,446,852
	<u>\$ 362,171</u>	<u>\$ 334,056</u>
Depreciation	\$ 59,954	\$ 78,186
Interest (including interest of \$7,136 on long term debt, 1971 — \$11,821)	37,550	57,329
	<u>\$ 97,504</u>	<u>\$ 135,515</u>
Net earnings before income taxes and extraordinary items	\$ 264,667	\$ 198,541
Provision for income taxes	124,146	95,807
Net earnings before extraordinary items	\$ 140,521	\$ 102,734
Extraordinary items — Note 8	145,622	
Net earnings	<u>\$ 286,143</u>	<u>\$ 102,734</u>
Earnings per class A share and common share		
Before extraordinary items	<u>28.2¢</u>	<u>20.5¢</u>
Including extraordinary items	<u>57.3¢</u>	<u>20.5¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST

Balance — beginning of year	\$ 627,989	\$ 535,863
Net earnings	286,143	102,734
	<u>\$ 914,132</u>	<u>\$ 638,597</u>
Dividends		
Class A shares — 3¢ per share (Nil 1971)	\$ 9,750	
Common shares — 7¢ per share (6¢ 1971)	12,292	\$ 10,608
	<u>\$ 22,042</u>	<u>\$ 10,608</u>
Balance — end of year	<u>\$ 892,090</u>	<u>\$ 627,989</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Funds were provided from		
Operations		
Net earnings before extraordinary items	\$ 140,521	\$ 102,734
Non cash charges to earnings		
— depreciation	59,954	78,186
	<u>\$ 200,475</u>	<u>\$ 180,920</u>
Proceeds from sale of equipment and goodwill — net	399,029	
Proceeds from issue of common shares		53,606
	<u>\$ 599,504</u>	<u>\$ 234,526</u>
Funds were used for		
Fixed asset additions	\$ 35,021	\$ 111,364
Equipment instalments and mortgage payments	9,029	11,046
Dividends	22,042	10,608
Purchase of common shares	3,999	
Redemption of notes payable	113,000	
Balance of purchase price of vending business	50,000	
Excess of cost over book value of businesses and subsidiary acquired		64,388
	<u>\$ 233,091</u>	<u>\$ 197,406</u>
Increase in working capital	\$ 366,413	\$ 37,120
Working capital — beginning of year	659,785	622,665
Working capital — end of year	<u>\$ 1,026,198</u>	<u>\$ 659,785</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1972

NOTE 1 – BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Davis Distributing & Vending Limited and its wholly owned subsidiaries, Nathan Davis Vending Limited and Young-Robertson Limited.

All material inter-company amounts have been eliminated on consolidation.

NOTE 2 – FIXED ASSETS

Fixed assets are classified as follows:

	At Cost Or As Stated	Accumulated Depreciation	Net Book Value
Land, at appraised value June 16, 1965	\$198,000		\$198,000
Building	85,543	\$ 32,606	52,937
Vending equipment	32,121	18,057	14,064
Warehouse and office equipment	105,325	61,213	44,112
Vehicles	33,576	18,639	14,937
Leasehold improvements	38,585	8,060	30,525
	<u>\$493,150</u>	<u>\$138,575</u>	<u>\$354,575</u>

Depreciation rates adopted by the company are:

(a) On the diminishing balance method

Building – 5% per annum

Warehouse and office equipment – 20% per annum

Vehicles – 30% per annum

(b) On the straight line method

Vending equipment – 1/7 per annum

Leasehold improvements – term of lease

NOTE 3 – SECURITY FOR BANK ADVANCES

The accounts receivable have been pledged as security for the bank advances.

NOTE 4 – LONG TERM LIABILITIES

Long term liabilities consist of the following:

	June 30 1972	June 30 1971
7% mortgage payable – note 5	\$ 29,714	\$ 33,286
Equipment instalments payable		13,965
7½% notes payable		113,000
Balance of purchase price of vending business		50,000
	<u>\$ 29,714</u>	<u>\$210,251</u>
Less current portion	<u>3,500</u>	<u>12,008</u>
	<u>\$ 26,214</u>	<u>\$198,243</u>



NOTE 5 – 7% MORTGAGE PAYABLE

The company's property at 162 Queen's Quay East, Toronto, has been pledged as security for the mortgage payable. The mortgage is repayable \$447 monthly including interest and matures February 1, 1977.

NOTE 6 – CAPITAL STOCK

Authorized

500,000 class A shares without par value

500,000 common shares without par value

Issued

325,000 class A shares \$ 1,250

176,803 common shares 536,606

\$537,856

The class A shares are convertible at any time into fully paid common shares on a one for one basis.

No dividend may be declared on the class A shares in any financial period unless a dividend of the same or greater amount is or has been declared on the common shares in such financial period.

Options have been granted to employees to purchase up to 5,000 common shares at \$3.50 per share until July 31, 1972. No material dilution of earnings would result from the exercise of these options.

NOTE 7 – RETAINED EARNINGS AND EXCESS OF APPRAISED VALUE OF LAND OVER COST

The retained earnings and excess of appraised value of land over cost includes \$158,777 excess of appraised value of land over cost resulting from an appraisal on June 16, 1965.

NOTE 8 – EXTRAORDINARY ITEMS

Extraordinary income resulted from the sale of the goodwill and equipment of the vending business of a subsidiary, less \$37,027 income tax thereon.

NOTE 9 – LEASE OBLIGATION

The company has a lease commitment, expiring in 1989, for its warehouse at an annual rental of \$78,027.

NOTE 10 – REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers as defined by The Securities Act (1966) of Ontario for the fiscal year ended June 30, 1972 was \$85,195.



45 Logan Avenue, Toronto 252, Ontario



KERN STATIONERS LIMITED
TORONTO